

AMENDED IN ASSEMBLY JUNE 5, 2008

AMENDED IN ASSEMBLY SEPTEMBER 7, 2007

AMENDED IN ASSEMBLY JULY 2, 2007

AMENDED IN ASSEMBLY JUNE 19, 2007

AMENDED IN SENATE MAY 2, 2007

AMENDED IN SENATE APRIL 11, 2007

SENATE BILL

No. 1012

Introduced by Senator Kehoe

(Principal coauthor: Assembly Member Salas)

February 23, 2007

An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

SB 1012, as amended, Kehoe. Electricity: self-generation incentive program.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations. Existing law requires the commission, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), to administer, until January 1, 2012, a self-generation incentive program for distributed generation resources. The program is applicable to all eligible technologies, as determined by the commission and subject to certain air emissions and efficiency standards, until January 1, 2008, except for solar technologies, which the commission is required to administer separately, after January 1,

2007, pursuant to the California Solar Initiative. Commencing January 1, 2008, until January 1, 2012, existing law limits eligibility for nonsolar technologies to fuel cells and wind distributed generation technologies that meet or exceed emissions standards adopted by the State Air Resources Board.

The existing California Global Warming Solutions Act of 2006 requires the State Air Resources Board (state board) to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990, to be achieved by 2020. Existing law prohibits any load-serving entity, as defined, and any local publicly owned electric utility, as defined, from entering into a long-term financial commitment, as defined, unless any baseload generation, as defined, complies with a greenhouse gases emission performance standard. Existing law requires the commission, in consultation with the Energy Commission and the state board, to establish a greenhouse gases emission performance standard for all baseload generation of load-serving entities.

This bill would extend until January 1, ~~2012~~ 2013, the self-generation incentive program for nonsolar distributed generation resources ~~that applies to all eligible technologies, as determined by the commission~~ and requires the commission to limit the eligibility for incentives pursuant to the program to distributed generation resources that the commission determines support the state's goals for the reduction of emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006. The bill would require that combined heat and power units meet certain efficiency and emissions requirements, *including the greenhouse gases emission performance standard*, to receive incentives. The bill would require a customer receiving incentives for a combined heat and power unit to adequately maintain and service the unit so that during operation, the unit continues to meet or exceed the efficiency and emissions requirements. The bill would require the commission to ensure that ~~beginning January 1, 2008, no costs of the self-generation incentive program for distributed generation resources are recovered from residential customers~~ *distributed generation resources are made available in the program for all ratepayers*. The bill would require the commission to provide ~~an additional incentive of \$0.50 per kilo-watt hours from existing program funds, an additional incentive of 20% per watt for the installation of qualifying technologies~~ *distributed generation resources that are*

manufactured in California by companies that maintain their principal place of business in California.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 379.6 of the Public Utilities Code is
2 amended to read:

3 379.6. (a) (1) The commission, in consultation with the State
4 Energy Resources Conservation and Development Commission,
5 shall administer, until January 1, ~~2012~~ 2013, the self-generation
6 incentive program for distributed generation resources originally
7 established pursuant to Chapter 329 of the Statutes of 2000.

8 ~~(2) Except as provided in paragraph (3), the extension of the~~
9 ~~program pursuant to Chapter 894 of the Statutes of 2003, as~~
10 ~~amended by Chapter 675 of the Statutes of 2004 and Chapter 22~~
11 ~~of the Statutes of 2005, shall apply to all eligible technologies, as~~
12 ~~determined by the commission, until January 1, 2012.~~

13 (3)

14 (2) The commission shall administer solar technologies
15 separately pursuant to the California Solar Initiative adopted by
16 the commission in Decision 06-01-024.

17 ~~(b) Commencing January 1, 2008, until January 1, 2012,~~
18 ~~eligibility for the program pursuant to paragraphs (1) and (2) of~~
19 ~~subdivision (a) shall include fuel cells and wind distributed~~
20 ~~generation technologies that meet or exceed the emissions standards~~
21 ~~required under the distributed generation certification program~~
22 ~~requirements of Article 3 (commencing with Section 94200) of~~
23 ~~Subchapter 8 of Chapter 1 of Division 3 of Title 17 of the~~
24 ~~California Code of Regulations.~~

25 *(b) Eligibility for incentives under the program is limited to*
26 *distributed generation resources that the commission determines*
27 *support the state's goals for the reduction of emissions of*
28 *greenhouse gases pursuant to the California Global Warming*
29 *Solutions Act of 2006 (Division 25.5 (commencing with Section*
30 *38500) of the Health and Safety Code).*

31 (c) Eligibility for the self-generation incentive program's level
32 3 incentive category shall be subject to the following conditions:

1 (1) ~~Commencing January 1, 2007, all~~ All combustion-operated
2 distributed generation projects using fossil fuel shall meet an oxides
3 of nitrogen (NO_x) emissions rate standard of 0.07 pounds per
4 megawatthour and a minimum efficiency of 60 percent. A
5 minimum efficiency of 60 percent shall be measured as useful
6 energy output divided by fuel input. The efficiency determination
7 shall be based on 100 percent load.

8 (2) Combined heat and power units that meet the 60-percent
9 efficiency standard may take a credit to meet the applicable NO_x
10 emissions standard of 0.07 pounds per megawatthour. Credit shall
11 be at the rate of one megawatthour for each 3.4 million British
12 thermal units (Btus) of heat recovered.

13 (3) Combined heat and power units shall meet the greenhouse
14 gases emissions performance standard established by the
15 commission for a load-serving entity pursuant to Section 8341.

16 (4) The customer receiving incentives shall adequately maintain
17 and service the combined heat and power units so that during
18 operation, the system continues to meet or exceed the efficiency
19 and emissions standards established pursuant to paragraphs (1),
20 (2), and (3).

21 (5) Notwithstanding paragraph (1), a project that does not meet
22 the applicable NO_x emissions standard is eligible if it meets both
23 of the following requirements:

24 (A) The project operates solely on waste gas. The commission
25 shall require a customer that applies for an incentive pursuant to
26 this paragraph to provide an affidavit or other form of proof, that
27 specifies that the project shall be operated solely on waste gas.
28 Incentives awarded pursuant to this paragraph shall be subject to
29 refund and shall be refunded by the recipient to the extent the
30 project does not operate on waste gas. As used in this paragraph,
31 “waste gas” means natural gas that is generated as a byproduct of
32 petroleum production operations and is not eligible for delivery
33 to the utility pipeline system.

34 (B) The air quality management district or air pollution control
35 district, in issuing a permit to operate the project, determines that
36 operation of the project will produce an onsite net air emissions
37 benefit, compared to permitted onsite emissions if the project does
38 not operate. The commission shall require the customer to secure
39 the permit prior to receiving incentives.

1 (d) In determining the eligibility for the self-generation incentive
2 program, minimum system efficiency shall be determined either
3 by calculating electrical and process heat efficiency as set forth in
4 Section 216.6, or by calculating overall electrical efficiency.

5 (e) In administering the self-generation incentive program, the
6 commission may adjust the amount of rebates, include other
7 ultraclean and low-emission distributed generation technologies,
8 as defined in Section 353.2, and evaluate other public policy
9 interests, including, but not limited to, ratepayers, and energy
10 efficiency and environmental interests.

11 (f) The commission shall ensure that ~~beginning January 1, 2008,~~
12 ~~no costs of the self-generation incentive program for distributed~~
13 ~~generation resources are recovered from residential customers.~~
14 *distributed generation resources are made available in the program*
15 *for all ratepayers.*

16 (g) On or before November 1, ~~2008~~ 2011, the State Energy
17 Resources Conservation and Development Commission, in
18 consultation with the commission and the State Air Resources
19 Board, shall evaluate the costs and benefits, including air pollution,
20 efficiency, and transmission and distribution system improvements,
21 of providing ratepayer subsidies for renewable and fossil fuel
22 “ultraclean and low-emission distributed generation,” as defined
23 in Section 353.2, as part of the integrated energy policy report
24 adopted pursuant to Chapter 4 (commencing with Section 25300)
25 of Division 15 of the Public Resources Code. The State Energy
26 Resources Conservation and Development Commission shall
27 include recommendations for changes in the eligibility of
28 technologies and fuels under the program, and whether the level
29 of subsidy should be adjusted, after considering its conclusions on
30 costs and benefits pursuant to this subdivision.

31 (h) In administering the self-generation incentive program, the
32 commission shall provide an additional incentive of ~~fifty cents~~
33 ~~(\$0.50)~~ 20 percent per watt from existing program funds for the
34 installation of qualifying ~~technologies~~ *distributed generation*
35 *resources* that are manufactured in California by companies that
36 have their principal place of business in California.